

## Message Text

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ACTION ARA-10

INFO OCT-01 SS-14 ISO-00 EB-03 L-02 COME-00 INT-01 NSC-07

NSCE-00 CIAE-00 INR-10 NSAE-00 RSC-01 TRSE-00 DRC-01

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P 032241Z MAY 74

FM AMEMBASSY LIMA

TO SECSTATE WASHDC PRIORITY 9965

C O N F I D E N T I A L LIMA 3530

LIMDIS

EO 11762: GDS

TAGS: EFIN, EMIN, ETRD, PE

SUBJ: SPCC NEGOTIATIONS

REF: STATE 91263

1. WISE OF ASARCO MET WITH AMBASSADOR MORNING OF MAY 3. HE REPEATED MUCH OF WHAT HE HAD EARLIER TOLD EMBASSY OFFICER (LIMA 3455) AND MADE FOLLOWING ADDITIONAL POINTS:

A. WISE DID NOT BELIEVE THAT HIS PERCEPTION OF SITUATION WAS NECESSARILY INCONSISTENT WITH OBSERVATIONS MADE TO AMBASSADOR BY FOREIGN MINISTER AND PRESIDENT. HE POINTED OUT THAT FERNANDEZ MALDONADO LETTER OF APRIL 11 IN EFFECT REPRESENTED A RETRIEVAL OF ABOUT HALF OF WHAT THE MINISTER HAD "GIVEN AWAY" LAST JUNE BY AGREEING TO FIFTEEN YEAR SUPPLY CONTRACTS. SPCC AGREEMENT TO THE MINISTER'S FIVE POINTS HAD TWO IMPORTANT PRACTICAL EFFECTS:

(1) FIFTEEN YEAR FORWARD CONTRACTS FOR BLISTER WOULD BE LIMITED TO ONLY 100,000 SHORT TONS DESTINED FOR THIRD COUNTRY PURCHASERS. THIS FREES BALANCE (ABOUT 70,000 TONS) WHICH IS DESTINED FOR U.S. PARTNERS AND WHICH WILL BE COMMITTED ONLY FOR PERIOD OF INVESTMENT RECUPERA-

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TION.

(2) SPCC HAS AGREED THAT ALL THE COPPER DESTINED FOR THE U.S. PARTNERS (THE 70,000 TONS) BE REFINED AT ILO. WISE SAID THIS REPRESENTS A NET FOREIGN EXCHANGE GAIN TO PERU OF BETWEEN \$150 TO \$160 MILLION OVER A TEN YEAR PERIOD, WHICH HE ESTIMATES TO REPRESENT ABOUT HALF OF WHAT FERNANDEZ MALDONADO'S JUNE 1973 CONCESSION WOULD COST THE GOP.

B. WISE SAID THAT IN VIEW CURRENT HIGH COPPER PRICES, PREPAYMENTS COULD MARKEDLY SHORTEN INVESTMENT RECUPERATION PERIOD. FOR EXAMPLE, WITH COPPER AT 75 CENTS, PERIOD WOULD BE 4 1/2 YEARS; AT ONE DOLLAR, THREE YEARS; AND AT \$1.50, 21 MONTHS.

C. WISE REVIEWED CHRONOLOGY OF PAST TWO WEEKS. SUBSEQUENT TO BARBER'S VISIT APRIL 11 AND 12, WISE HAD MET WITH EIGHT CABINET MEMBERS. REACTIONS VARIED FROM UNDERSTANDING, THROUGH DISINCLINATION TO BECOME INVOLVED, TO OBJECTION TO FINANCING ON TERMS CURRENTLY PROPOSED. PRIME MINISTER MERCADO, HE SAID, DID NOT WISH TO PLAY ANY PART IN MATTER BUT SAID SPCC WOULD HAVE TO ACCEPT CONDITIONS SPELLED OUT IN APRIL 11 LETTER. COMMERCE MINISTER BARANDIARAN SAID HE WAS COMPLETELY OPPOSED TO THE WHOLE PACKAGE, WHICH WAS DISADVANTAGEOUS TO PERU UNDER PRESENT CONDITIONS; HOWEVER, GOP HAD COMMITTED ITSELF AND HE DID NOT BELIEVE IT SHOULD GO BACK ON ITS WORD. AT THE CABINET MEETING ON APRIL 23, DIRECTOR SUPERIOR TORD OF MINISTRY ENERGY HAD BEEN PRIMED BY SPCC AND MINERO-PERU TO PRESENT THE CASE. PRESIDENT VELASCO "HAD THROWN HIM OUT" AFTER EXPRESSING CRITICISM OF FERNANDEZ MALDONADO AND SAYING THAT, MUCH AS HE DISLIKED IT, HIS GOVERNMENT WOULD ABIDE BY ITS COMMITMENT. ON FOLLOWING DAY, WISE HAD GONE TO NEW YORK WHERE PROPOSAL OUTLINED LIMA 3455 WAS DEVELOPED. WISE RETURNED TO LIMA APRIL 29 AND PRESENTED THE SPCC PROPOSAL TO MIRO QUESADA AND TORD, BY WHOM IT WAS RECEIVED ENTHUSIASTICALLY.

D. WISE SAID HE CONTINUED TO BELIEVE PROPOSAL WOULD PROVE ACCEPTABLE AND WAS IN FACT UNDER IMPRESSION THAT PERUVIAN SIDE IS ANXIOUS TO FINISH NEGOTIATIONS BEFORE  
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FERNANDEZ MALDONADO RETURNED (ABOUT MAY 14) HE SAID HE THOUGHT PRINCIPAL PROBLEM WOULD BE GAINING AGREEMENT OF CHASE MANHATTAN BANK.

2. COMMENT: WE ASSUME WISE MUST HAVE BEEN THE "ASARCO LAWYER" WHO CONVEYED MERCADO'S MESSAGE TO BARBER SINCE SO FAR AS WE ARE AWARE NO OTHER ASARCO REPRESENTATIVE HAS BEEN IN RECENT CONTACT WITH GOP. IF SO, WISE AND

BARBER APPEAR TO HAVE DRAWN VERY DIFFERENT CONCLUSIONS  
FROM WHAT WAS SAID.  
DEAN

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NNN

## Message Attributes

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**Capture Date:** 01 JAN 1994  
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